

Message Text

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PAGE 01 LIMA 06164 301806Z

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ACTION ARA-20

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-07 H-03 INR-11 L-03

NSAE-00 NSC-07 PA-04 RSC-01 PRS-01 SP-03 SS-20 USIE-00

INRE-00 SSO-00 NSCE-00 EB-11 COME-00 INT-08 FEAE-00

SIL-01 LAB-06 AID-20 HEW-08 HUD-02 TRSE-00 DRC-01

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O P 292047Z JUL 74

FM AMEMBASSY LIMA

TO SECSTATE WASHDC 1184 IMMEDIATE

INFO AMEMBASSY BRASILIA

AMEMBASSY LA PAZ

AMEMBASSY QUITO

AMEMBASSY SANTIAGO

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C O R R E C T E D C O P Y (EO AND TAGS INFO ADDED)

E.O. 11652 N/A

TAGS: PGOV, PFOR, PINT, EMIN, EGEN, PE

SUBJECT: PRESIDENT VELASCO'S JULY 28 SPEECH REVEALS FUTURE GOVERN-
MENT PLANS

1. SUMMARY: ON EVENING OF JULY 28, PRESIDENT JUAN VELASCO ALVARADO
DELIVERED A MONOTONOUS THREE AND A QUARTER HOUR SPEECH WHICH LACKED
DRAMATIC RHETORIC BUT DID REVEAL SIGNIFICANT AREAS FOR FUTURE GOVERN-
MENT ACTION. VELASCO REVIEWED THE REVOLUTION'S ACCOMPLISHMENTS IN
PRECEEDING YEAR, LAYING SPECIAL STRESS ON ADOPTION OF SOCIAL PROPERTY
DECREE. VELASCO MADE IT CLEAR THAT IN "THE NEW PERU" NEITHER STATE
NOR PRIVATE PROPERTY WOULD DOMINATE. INSTEAD, ASSOCIATIVE FORMS OF
OWNERSHIP, PARTICULARLY SOCIAL PROPERTY, ARE TO PREDOMINATE. HE ALSO
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PAGE 02 LIMA 06164 301806Z

TOUCHED ON THE GREENE AGREEMENT, NOTING THAT PERU HAD THEREBY

ACQUIRED 14 COMPANIES AND THAT A PERIOD OF "UNDENIABLE TENSION" BETWEEN PERU AND U.S. HAD COME TO AN END. HIGHLIGHT OS SPEECH CAME WHEN PRESIDENT UNVEILED THE "INCA PLAN", ALLEGEDLY WRITTEN IN 1968 BEFORE VELASCO TOOK POWER AND OUTLINING THE OBJECTIVES OF HIS GOVERNMENT. MUCH OF THE PLAN HAS ALREADY BEEN PUT INTO ACTION SUCH AS AGRARIAN AND INDUSTRIAL REFORM AS WELL AS THE JULY 27 PRESS TAKE-OVER. NEVERTHELESS, FUTURE AREAS FOR NEW OR FURTHER GOVERNMENT ACTION WERE OUTLINED IN THE HOUSING, TRANSPORT, BANKING, INSURANCE, AND HEALTH FIELDS. THE PLAN SAID LITTLE ABOUT ANY FUTURE ELECTIONS REFERRING INSTEAD TO THE NEED TO CREATE "POPULAR ASSOCIATIONS". AT THE END, THE PLAN CALLED FOR A NEW CONSTITUTION TO MAKE THE REVOLU-

TION'S REFORMS IRREVERSIBLE. PRESIDENT VELASCO STOOD THROUGHOUT THE LONG SPEECH, LOOKING SOMEWHAT TIRED BUT BY NO MEANS ILL. THIS REPORT CONTAINS SOME OF THE MORE SIGNIFICANT PASSAGES FROM THE INCA PLAN. THE EMBASSY WILL REPORT MORE FULLY ON LOCAL REACTION TO THE SPEECH IN THE NEXT FEW DAYS.

2. BUEINESS OWNERSHIP. THE INCA PLAN STATES THAT THE GOAL OF THE REVOLUTION IS A BUSINESS FORM OF ORGANIZATION WHICH GIVES THE WORKER PARTICIPATION IN MANAGEMENT, PROFITS AND THE OWNERSHIP OF HIS COMPANY.

3. PETROLEUM. DISCUSSING ACTIONS TO BE TAKEN THE PLAN SAYS: "IN THE FIRST STATE, ESTABLISH A SYSTEM OF CONTRACTS UNTIL ACHIEVING AN ECONOMIC CAPACITY ENABLING THE STATE TO UNDERTAKE ALL PETROLEUM ACTIVITIES. IN THE SECOND STATE, WHEN THIS CAPACITY HAS BEEN REACHED, ONLY THE STATE WILL PARTICIPATE IN PETROLEUM ACTIVITY".

4. MINING. THE GOVERNMENT WANTS TO TAKE OVER THE EXPLOITATION OF THE MAJOR DEPOSITS AS WELL AS THE REFINEMENT AND MARKETING OF MINERALS,

BUT NO TIMETABLE IS SUGGESTED. THE PLAN CALLS FOR THE CREATION OF A STATE COMPANY TO MANAGE ALL THE MINING ACTIVITIES OF THE STATE.

5. TRANSPORT. THE PLAN CALLS FOR PROGRESSIVE STATE CONTROL OF AIR, MARITIME AND RAILROAD TRANSPORTATION.

6. BANKING AND INSURANCE. THE PROGRESSIVE NATIONALIZATION OF BANKING AND INSURANCE IS CALLED FOR IN THE PLAN.
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PAGE 03 LIMA 06164 301806Z

7. HOUSING. REVEALING SOME OF WHAT WILL BE CONTAINED IN URGAN REFORM, A MAJOR PENDING GOAL OF THE REVOLUTION, THE PLAN PROVIDES FOR RENT CONTROLS AND THE CONSTRUCTION OF INEXPENSIVE, POPULAR HOUSING.

HEALTH. IN ANOTHER AREA OF PENDING REFORM, THE PLAN CALLS FOR ALL PHARMACEUTICALS TO BE PRODUCED IN PERU; IT CALLS FOR RURAL SERVICE FOR NEW DOCTORS; AND IT ASSIGNS PRIORITY TO "SOCIALLY ORIENTED MEDICINE

AVAILABLE TO ALL THE POPULATION" ALTHOUGH NO EXPLANATION IS GIVEN OF WHAT THIS MEANS AND HOW IT MIGHT EFFECT PRIVATE PRACTICE.

9. LEGISLATURE AND CONSTITUTION. THE PLAN STATES THAT THE LEGISLATIVE

FUNCTION IN THE PAST WAS NEGATIVE AND SAYS "THE REVOLUTIONARY GOVERNMENT WILL MAKE THE CHANGES NECESSARY TO ASSURE THE EFFICIENCY OF THE LEGISLATIVE FUNCTION". NO MENTION IS MADE OF ELECTIONS OR ASSEMBLIES.

THE PLAN CONTINUES: "A NEW CONSTITUTION WILL CONSOLIDATE THE LAWS, INSTITUTIONALIZING THE ESSENTIAL AND IRREVERSIBLE TRANSFORMATIONS ACHIEVED BY THE REVOLUTION".

10. COMMENT: WHILE THE EMBASSY HAS NOT YET HAD THE OPPORTUNITY TO SOUND OUT PERUVIAN REACTION TO THE INCA PLAN, THE PRESS TAKEOVER THE PREVIOUS DAY CAME AS A SHOCK TO MANY PEOPLE CONFIRMING TO THEM THAT PRESIDENT VELASCO REALLY IS A RADICAL REVOLUTIONARY. APPARENTLY, MANY

MIDDLE CLASS PERUVIANS REFUSE TO BELIEVE UP UNTIL JULY 27 THAT VELASCO

WOULD TAKE OVER THE PRESS, PARTICULARLY EL COMERCIO, A 135 YEAR OLD INSTITUTION WHICH WAS HIGHLY REGARDED BY PERUVIAN PUBLIC. UNDER THE NEWLY INAUGURATED PRESS SYSTEM, THERE WILL BE LITTLE IF ANY CRITICISM OF VELASCO'S SPEECH PUBLISHED LOCALLY, AND THE REVOLUTION'S CONTINUED ENCROACHMENT ON PRIVATE FORMS OF BUSINESS OWNERSHIP. VELASCO MADE IT CLEAR THAT IN THE FUTURE PERUVIAN BUSINESS ENTERPRISE (PROBABLY ALL FIRMS EMPLOYING OVER 19 PERSONS OR WHICH ARE DEEMED CAPITAL-INTENSIVE) WILL HAVE A HEAVY DOSE OF STATE OR WORKER CONTROL IF NOT OUTRIGHT STATE OWNERSHIP, AS IN THE CASES OF BASIC INDUSTRY, OR WORKERS OWNERSHIP, AS IN SOCIAL PROPERTY.

VELASCO EMPHASIZED THAT IN THE COMING YEAR, PRIORITY WOULD BE ASSIGNED LIMITED OFFICIAL USE

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PAGE 04 LIMA 06164 301806Z

TO CREATING STRONG SOCIAL PROPERTY FIRMS. INTENTIONS TOWARD PRIVATE ENTERPRISE EXPRESSED IN INCA PLAN ALSO BODE ILL FOR PRIVATELY OWNED FAWCETT AIRLINE (PARAGRAPH 5) AND FOR U.S. AND OTHER PETROLEUM CONTRACTORS (PARAGRAPH 3), THROUGH NO TIMETABLES FOR GOP TAKEOVER ARE SET AND NO SPECIFIC PLANS HAVE YET BEEN ANNOUNCED IN THIS REGARD
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